

Reader's Guide to Budget Document

The following brief descriptions of the main sections of this document are provided to assist the reader in finding and understanding its important contents.

Purpose

This budget document outlines the recommended expenditures, authorized positions, and projected revenues required for operating and delivering the various City programs and services planned for the upcoming fiscal year beginning July 1, 2002 and ending June 30, 2003.

Table of Contents – Identifies specifically all the contents of the document and provides corresponding page numbers for each major subject listed.

Budget Information - Outlines the budget policies, procedures, and processes involved in the preparation of the Operating Budget. It also provides an explanation of the required City fund structure and a description of major revenue sources.

General Fund Revenues and General Fund Expenditures – Details of General Fund Summary, Statement of Anticipated Revenues, and Recommended General Fund Appropriations.

Departmental Budgets - Addresses programs and services to include key issues and service enhancements for City departments, departmental support and non-departmental appropriations.

Education - Norfolk Public Schools operating budget.

Non-General Fund Departments - Consists of budgetary information from the City's Enterprise and Internal Service Funds, including Water, Wastewater, Stormwater, Parking, Storehouse, and Fleet Maintenance.

Capital Improvement Program - Detailed budget information on the Capital Improvement Budget.

Glossary - Definitions of budget related terms.

Index - Alphabetical reference of information contained in this document.

Noted below for Internet access users are selected website addresses which will provide additional/supplementary information for various departments and agencies included in the budget document. All of these sites can be accessed through the City's Home Internet site.

City of Norfolk: <http://www.norfolk.va.us>

Bureau of Emergency Services: <http://www.norfolk.va.us/emerserv/index.html>

Commissioner of Revenue: <http://www.norfolk.va.us/revenue/index.html>

Finance Department: <http://www.norfolk.va.us/finance/index.html>

Department of Human Resources: <http://www.norfolk.va.us/hr.html>

Public Health: <http://www.norfolk.va.us/pubhealth/index.html>

Department of Human Services: <http://www.norfolk.va.us/humanservices/index.html>

Public Works: <http://www.norfolk.va.us/publicworks/index.html>

Neighborhood and Leisure Services: <http://www.norfolk.va.us/parkrec/index.html>

Norfolk Public Schools: <http://schoolhouse.whro.org/>

Norfolk Public Library: <http://www.npl.lib.va.us/>

Civic Facilities: <http://www.norfolk.va.us/arenatheatre/index.html>

Police Department: <http://www.norfolk.va.us/police/index.html>

Department of Fire and Rescue: <http://www.norfolk.va.us/publicsafety/nfps/index.html>

Department of Development: <http://www.norfolk.va.us/development/index.html>

Communications and Public Relations: <http://www.norfolk.va.us/marcom.html>

Nauticus: <http://www.nauticus.org/>

Department of Information Technology: <http://www.norfolk.va.us/infosys/index.html>

Department of Utilities: <http://www.norfolk.va.us/utilities/index.html>

NRHA: <http://www.norfolk.va.us/nrha/index.html>

Budget Policy and Procedures

An operating budget is adopted each fiscal year for the General Fund, Water Utility Fund, Wastewater Utility Fund, Parking Fund, Stormwater Fund and Internal Service Funds. All funds are under formal budgetary control, the most significant of which is the General Fund. The City uses the following budgetary procedures:

1. No less than sixty days before the end of each fiscal year, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July. The operating budget includes recommended expenditures and the means to finance them.
2. After general distribution of the proposed operating budget, a public hearing is conducted to obtain comments and recommendations from the public.
3. No less than thirty days before the end of the fiscal year, the budget is legislatively enacted by the City Council through adoption of one or more ordinances.
4. The ordinance for the annual operating budget appropriates funds, subject to certain conditions, for the use of departments included in the General Fund and all proprietary funds. The ordinance authorizes salaries and wages and personnel positions as set forth in the detailed budget document. Amounts appropriated to each department are to be expended for the purposes designated by object group; i.e., categories including personal services, materials, supplies and repairs, equipment, public assistance payments, and debt service.
5. The City Manager is authorized by the ordinance adopting the budget to transfer funds within a single department or activity with the requirement that, at the end of the fiscal year, a written report shall be made to the City Council of all such transfers.
6. As of January 1, the rebalancing of accounts and any revisions that alter the total appropriations to departments must be reported by the City Manager to City Council.
7. The budgets for the General Fund, Enterprise Funds and Internal Service Funds are prepared on a basis which differs from generally accepted accounting principles (GAAP), inasmuch as encumbrances are included with expenditures.
8. Amounts needed to meet annual debt service requirements for general obligation debt recorded in the General Long-Term Obligations account group are appropriated each year in the General Fund. Debt Service requirements of the Enterprise Funds are similarly recorded within the respective funds. (Policies and procedures applicable to financing capital projects and debt management are described below).
9. Total appropriations, excluding grants and enterprise activities for school operations, are included in the General Fund budget. However, the final budget as adopted by the School Board of the City of Norfolk provides the budgetary detail.
10. Unencumbered appropriations lapse at the end of the fiscal year and are returned to fund balance for re-appropriation.
11. City Council may authorize supplemental appropriations to the operating budget during the fiscal year from additional revenues or fund balance.
12. The City Manager is responsible for maintaining a balanced budget at all times. In the event it is identified there is a negative gap between revenues and expenditures, the City Manager will take such actions necessary to cause a rebalancing of the budget.

City Council also adopts a Capital Improvement Program budget and a Consolidated Plan budget. As in the case of the Operating Budget, these budgets are submitted by the City Manager, public hearings are held, and the budgets are legislatively enacted through adoption of an ordinance.

Budgets are also adopted for a Special Revenue (Grants) Fund on an individual project basis. Appropriations for project funds do not lapse at year-end, but continue until the purpose of the appropriation has been fulfilled or is otherwise terminated. Amendments to these budgets are effected by City Council action. The level of budgetary control is on a projected basis with additional administrative controls being exercised.

Budget Development Process:

The City prepares a separate five-year Financial Plan which provides decision makers with an insight into anticipated revenue and expenditure levels. This affords them an opportunity to address policy issues and approved management actions, and to develop financial strategies for the future.

Based upon the findings and recommendations in the Financial Plan, general budget policy and guidelines are developed and incorporated in an annual Budget Policy Statement issued by the City Manager to all organizational units included in the budget. The policy statement stresses the need to focus on the accomplishment of goals and objectives established in conformance with individual mission statements.

The Budget Policy Statement provides administrative policies and guidelines to be followed in the preparation of individual budget requests for the upcoming budget year. The following statements of basic policy are standard:

- a. The City will have a balanced Operating Budget.
- b. All budget processes will be coordinated. City and departmental goals and objectives will be reflected in the Operating Budget, the Consolidated Plan and the Capital Improvement Program Budget.
- c. Actions should be taken to reduce operating expenses wherever possible. Cost-saving actions are strongly encouraged, and these should be adequately documented and highlighted within the budget request.
- d. Budget requests are to be prepared in accordance with the formal Budget Instructions Manual issued by the Office of Budget and Management.
- e. The Budget submissions should be based on a continuation of services currently provided; adjusted as necessary to conform to current budget policies and guidelines.

Additional guidelines are provided which differ from year-to-year and which address special funding considerations in specific areas of operations.

With the continuation of our strategic efforts, the FY-2003 budget process refocused on business planning and performance management throughout the City. Department and agency heads examined City services to include an analysis of why services are provided, who the customers of the service are, key service delivery partners and how the service supports the City's priorities and objectives. The recommended budget document reflects the identification of programs and services and key issues and service enhancements affecting operations and City Council priorities. This focus will provide the linkage between the vision that City Council has set and service delivery to City residents.

Fund Structure

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that include its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The various funds are grouped in the financial statements into three broad fund categories and two account groups as follows:

1. Governmental Funds account for expendable financial resources, other than accounted for in proprietary and fiduciary funds. The Governmental Fund measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination as would apply to a commercial enterprise. The individual governmental fund types are:

General Fund. The General Operating Fund of the City accounts for all financial transactions not required to be accounted for in other funds. The General Fund accounts for the normal recurring activities of the City, such as Police, Public Works, Economic Development, etc. These activities are funded by such revenue sources as general property taxes; other local taxes; permits, privilege fees and regulatory licenses; fines and forfeitures; use of money and property; charges for services; recovered costs; non-categorical aid, shared expenses and categorical aid from the Commonwealth.

Special Revenue Funds account for the proceeds of specific revenue resources (other than expendable trusts or major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Fund accounts for the accumulation of resources required for and the payment of principal and interest on the current portion of general obligations of the City. The types of long-term obligations serviced by this fund include serial bonds. Transfers from the General Fund include revenues from this source.

Capital Projects Fund accounts for the financial resources used for the acquisition, construction or renovation of major capital facilities of the City or the School Board (other than those financed by proprietary funds and trust funds).

2. Proprietary Funds account for operations which are similar to those found in the private sector. The proprietary fund measurement focus is upon determination of net income, financial position and changes in financial position. The individual proprietary fund types are:

Enterprise Funds account for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Parking, water and wastewater are Enterprise Funds.

Internal Service Funds account for the financing of goods and services supplied to other funds of the City and other governmental units on a cost-reimbursement basis. Internal service funds consist of the Storehouse and Fleet Maintenance.

3. Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. These include Expendable Trust, Non-expendable Trust, Pension Trust, and Agency Funds. Non-expendable Trust and Pension Trust Funds

are accounted for in essentially the same manner as proprietary funds since their measurement focus is on capital maintenance. Expendable Trust Funds are custodial in nature (assets equal liabilities) and are accounted for on the modified accrual basis. Because of the nature of fiduciary funds, any amounts reported in the fund balance section of the balance sheets do not represent monies subject to appropriation by City Council.

4. Account groups are used to provide the accounting and reporting treatment for the fixed assets and long-term obligations of the City except for those reported in Enterprise and Internal service funds.

These account groups are not "funds". They measure financial position and not results of operations.